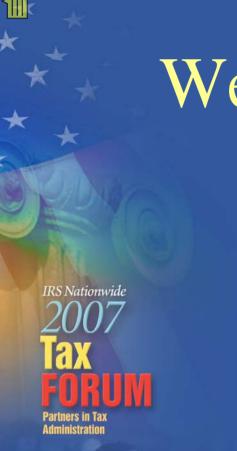


EITC Getting it Right



We've got a lot to cover...

- Due Diligence Requirements
- Eligibility Requirements
- Who is a Qualifying Child?
- Online Tools

Due diligence requirements





1

IRS Nationwide

Knowledge of Correct Taxpayer Information



Credit Computation



2

Record Retention



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IRS Nationwide

Form 8867 – It is not just a check mark

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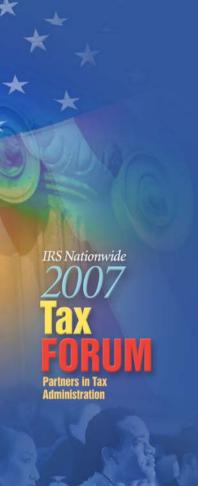
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Addressing egregious preparers

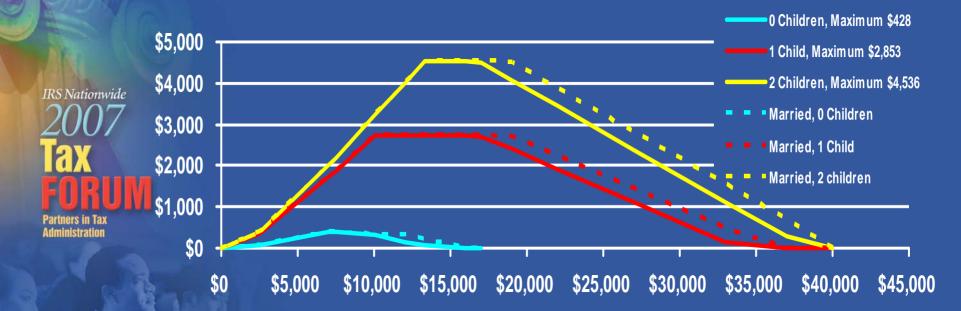
• Year round visits with possible civil penalties

• Referrals to Criminal Investigation for criminal penalties



- 1 Must have earned income
- 2 Must have a valid Social Security number
- Claiming a child who's not a qualifying child
- 2 Married taxpayers who incorrectly file as single
- or head of household
- 3 Misreporting Income
 - 4 Incorrect Social Security Numbers

For 2007 the maximum EITC credit is \$4,716

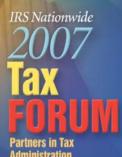


- Credit phases out as income increases
- Claiming children raises the limit on income eligibility and increases the value of the credit
- ✓ If married, income eligibility increases up to \$2,000

Qualifying children

Relationship

Age





Residency







IRS Nationwide

STEPFATHER
EARNED INC. - \$10,000

MOTHER EARNED INC. - \$15,000





CHILD LIVED WITH STEPFATHER 7 MONTHS AND MOTHER 5 MONTHS



ANSWER: THE STEPFATHER

THE MOTHER OF THE CHILD DOES NOT MEET THE RESIDENCY TEST.

RULE: CHILD MUST HAVE LIVED WITH THE CLAIMANT IN THE UNITED STATES FOR MORE THAN HALF OF THE YEAR.



IRS Nationwide

STEPFATHER

EARNED INC. - \$10,000

MOTHER EARNED INC. - \$15,000





CHILD LIVED OVER HALF
THE YEAR WITH EACH

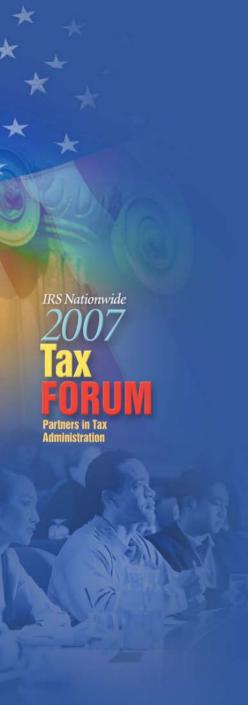
ANSWER: EITHER ONE. THEY DECIDE.







IF BOTH CLAIM THE BABY, THE TIE-BREAKER RULES WILL APPLY.



Tie Breaker Rules

- **IF** only one of the persons is the child's parent
 - THEN only the parent can treat the child as a qualifying child.
- *IF* two of the persons are parents of the child, and they do not file a joint return together
 - THEN only the parent with whom the child lived the longest during the year can treat the child as a qualifying child.
- IF two of the persons are parents of the child, the child lived with each parent the same amount of time during the year, and the parents do not file a joint return together
 - **THEN** only the parent with the highest adjusted gross income (AGI) can treat the child as a qualifying child.
- *IF* none of the persons are the child's parent
 - THEN only the person with the highest AGI can treat the child as a qualifying child.



Who we're missing...

- Childless workers
- Rural taxpayers
- Non-traditional families
- New citizens with English as a second language



Online tools at IRS.gov

• Tax Practitioner Toolkit (access directly at www.eitcfortaxpreparers.com)

• EITC Assistant

Publications and worksheets

Special rules



In a nutshell

- Know the law
- Ask if in doubt
- Maximize the tools
- Reach out to qualifying taxpayers